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April 7, 2005

VIA FACSIMILE

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Re: Paradise Cruise Limited vs. Michael Else and Company Ltd., et al.
Civil No. CV04-00364 ACK-BMK

Dear Counsel:

In light of Watkins Syndicate's recent inquiry as to whether Paradise Cruise Limited ("Paradise") is interested in resolving this matter, we have been authorized to make a global settlement demand to resolve all outstanding claims against each of your clients.

For purposes of making this settlement offer, and pursuant to Rule 408 of the Federal Rules of Evidence, Paradise acknowledges that the policy at issue contains an arbitration clause. Paradise is prepared to proceed with arbitration against Watkins Syndicate ("Watkins") if required by the court. It is also prepared, if necessary, to litigate its claims against Acordia Northwest Inc. ("Acordia") and Aon Risk Services, Inc. of Ohio ("Aon"), to recover damages.

The claims that we are pursuing on Paradise's behalf are not bogus ones. Although both Acordia and Aon have asserted that there is no evidence to support claims against them, that understanding is based solely on the production of documents to date. The claims against Acordia and Aon are also based on information the brokers knew when they placed the coverage and representations that were made to Paradise regarding the scope of coverage provided by the policy. Both Acordia and Aon believed, and represented to Pacific that the events are covered

EXHIBIT A

Bradley M. Rose, Esq.
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perils under the policy and that Paradise is entitled to recover the policy limits. We are confident that Paradise's witnesses, whether by declaration or deposition testimony, will provide sufficient facts to survive a motion for summary judgement so that Paradise will have its claims tried before a jury.

Paradise is prepared to accept \$975,285.00 in full settlement of all claims under its policy with Watkins and its claims against Acordia and Aon. The allocation of this amount can be determined by agreement of the defendants.

Please be advised that this offer will expire at 5:00 p.m., Hawaii Standard Time, on Wednesday, April 13, 2005. Needless to say, the foregoing is made pursuant to the provisions of Rule 408 of the Federal Rules of Evidence. Should defendants fail to accept the offer, neither this letter or its contents may be used for any purpose.

Very truly yours,

CLAY CHAPMAN CRUMPTON
IWAMURA & PULICE



John R. Myrdal
Elise Owens Thorn

JRM/EOT:jfp

cc: Paradise Cruise Limited